

Message Text

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PAGE 01 OTTAWA 07573 192316Z
ACTION EUR-12

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TAGS: ELAB, ECON, CA
SUBJECT: UNIONS REJECT VOLUNTARY RESTRAINTS - CONTROLS TO
REMAIN.

REF: OTTAWA 6887

1. SUMMARY. CLC LEADERS REJECTED GOVERNMENT PROPOSALS
AUGUST 17 FOR VOLUNTARY WAGE CONSTRAINTS, A CONSULTATIVE
GROUP, AND A MONITORING AGENCY IN THE NEAR FUTURE IN RETURN
FOR AN EARLY PHASE-OUT OF THE CONTROLS PROGRAM. LABOR
MINISTER MUNRO SAID THIS REJECTION MEANT CONTROLS MIGHT
STAY IN EFFECT UNTIL THE END OF 1978. CONTINUATION OF
CONTROLS COULD DAMPEN PRIVATE INVESTMENT PLANS IN 1978.
END SUMMARY.

2. IN MEETINGS WITH BUSINESS AND LABOR IN JULY, GOC HAD
PROPOSED EARLY PHASE-OUT OF MANDATORY WAGE, PROFIT AND
PRICE CONTROLS LATE THIS YEAR OR IN EARLY 1978 IN RETURN
FOR UNDERTAKING BY BUSINESS AND LABOR FOR VOLUNTARY RE-
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PAGE 02 OTTAWA 07573 192316Z

STRAINTS. THE STATEMENT BY CANADIAN LABOR CONGRESS (CLC)
PRESIDENT JOSEPH MORRIS, REPRESENTING 110 MEMBER UNIONS,
REJECTED BOTH THE IDEA OF CONTROLS THEMSELVES AND GOC
PROPOSALS FOR VOLUNTARY RESTRAINTS, A CONSULTATIVE GROUP,
AND A GOVERNMENT MONITORING AGENCY AS THE PRICE FOR AN
EARLY END TO CONTROLS. (EARLIER CLC HAD EXPRESSED INTEREST
IN CONSULTATIVE GROUP PROVIDED IT WAS ONLY TRILATERAL ---

GOVERNMENT, BUSINESS AND LABOR --- AND WAS NOT EXPANDED TO INCLUDE REPRESENTATIVES OF OTHER INTEREST GROUPS.) THE REAL STICKING POINT APPEARED TO BE THE GOC DEMAND FOR A COMMITMENT BY LABOR TO VOLUNTARILY MODERATE WAGE DEMANDS --- A CONDITION THE CLC SAID WOULD ONLY LEAD TO LOWER REAL INCOMES.

3. CLC'S REJECTION DID NOT COME AS A COMPLETE SURPRISE, BUT GOC HAD HOPED FOR AT LEAST SOME QUALIFIED SUPPORT FROM LABOR IN RETURN FOR AN EARLY END TO MANDATORY CONTROLS, EVEN THOUGH CLC DOES NOT HAVE POWER TO ENFORCE ANY PLEDGE ON MEMBER UNIONS OR THEIR LOCALS. SOME HAVE CONJECTURED THAT GOC MAY NOT BE UNHAPPY WITH UNION REJECTION OF VOLUNTARY RESTRAINTS; CONTROL PROGRAM IS VIEWED BY MANY OUTSIDE OF ORGANIZED LABOR AS A NOT UNWELCOME RESTRAINT ON INFLATIONARY WAGE INCREASES, ESPECIALLY IN THE PUBLIC SECTOR.

4. FROM LABOR'S VIEWPOINT, REJECTION OF GOC PROPOSALS AND CONTINUATION OF CONTROLS MAY HAVE REPRESENTED LESSER EVIL THAN VOLUNTARY RESTRAINTS. THRUST OF VOLUNTARY RESTRAINTS REQUESTED BY GOC WOULD HAVE BEEN TO LIMIT WAGE INCREASES IN 1978 BELOW INCREASES THIS YEAR, WHEREAS UNDER EXISTING CONTROL PROGRAM MECHANISM, ALLOWABLE WAGE INCREASES IN 1978 MIGHT BE NEARLY THE SAME AS THOSE ALLOWED THIS YEAR. UNDER EXISTING AIP ALLOWABLE WAGE INCREASES CONTAIN BASIC "PROTECTION FACTOR" AGAINST INFLATION WHICH IS SCHEDULED LIMITED OFFICIAL USE

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PAGE 03 OTTAWA 07573 192316Z

TO DROP FROM 6 PERCENT TO 4 PERCENT ON CONTRACTS NEGOTIATED AFTER OCTOBER 14 IN KEEPING WITH EXPECTED DECLINE IN INFLATION RATE. HOWEVER, IF THE TWELVE MONTH INFLATION RATE IN OCTOBER AS MEASURED BY THE CPI IS GREATER THAN SIX PERCENT, AS IT WILL BE, BASIC PROTECTION FACTOR WILL BE ADJUSTED UPWARD FROM FOUR PERCENT BY THE DIFFERENCE BETWEEN SIX PERCENT AND THE ACTUAL RATE. AS A RESULT, THIS FACTOR MAY BE CLOSER TO SIX PERCENT THAN FOUR PERCENT FOR THE YEAR BEGINNING IN OCTOBER. THIS WOULD IMPLY THAT ALLOWABLE WAGE INCREASES IN 1978 UNDER CONTROLS WOULD BE QUITE CLOSE TO ALLOWABLE INCREASES THIS YEAR.

5. COMMENT. CONTROLS HAVE NOT BEEN UNPOPULAR WITH BUSINESS AS WEAK ECONOMIC CONDITIONS HAVE KEPT PRICE AND PROFIT INCREASES GENERALLY BELOW ALLOWABLE CEILINGS, WHILE CONTROLS ARE SEEN TO HAVE BEEN A DEFINITE CONSTRAINT ON WAGES. HOWEVER, AS THE ECONOMIC RECOVERY CONTINUES IN CANADA INTO 1978, THERE WAS EXPECTED TO BE GREATER SCOPE FOR PROFIT INCREASES WHICH COULD HAVE CALLED FORTH HIGHER RATES OF INVESTMENT. CONTINUATION OF CONTROL PROGRAM, INCLUDING CONTROLS ON PROFITS AND DIVIDENDS, THUS CASTS ADDED ELEMENT OF UNCERTAINTY OVER INVESTMENT PLANS AND STRENGTH OF

THE EXPANSION NEXT YEAR. ENDERS

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